

Message Text

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ACTION OPIC-12

INFO OCT-01 NEA-14 ISO-00 AID-20 TRSE-00 OMB-01 AGR-20

FRB-02 XMB-07 /077 W

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R 051526Z JUN 74

FM AMEMBASSY RABAT

TO SECSTATE WASHDC 2116

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E.O. 11652 N/A

TAGS: EFIN MO US

SUBJ: RANCH ADAROUCHE-COOLEY LOAN 608-E-073

1. SUMMARY. ON BASIS OUR DISCUSSIONS WITH RANCH ADAROUCHE
MANAGING DIRECTOR HUGHES, WE DO NOT REPT NOT RECOMMEND OPIC
APPROACH TO KING RANCH RAGARDING MANAGEMENT PROBLEMS OF VENTURE.
END SUMMARY.

2. ECONOMIC COUNSELOR DISCUSSED PRESENT STATUS RANCH ADAROUCHE
VENTURE WITH HUGHES JUNE 4. LATTER HAD ACCOMPANIED KING RANCH
PRESIDENT BOB KLEBER ON WEEK VISIT TO MOROCCO WHICH INCLUDED
AUDIENCE WITH KING. KING RANCH AND GOM AGREED TO A). SUBSTANTIALLY
INCREASE EQUITY PARTICIPATION OF EACH IN RANCH
ADAROUCHE AND B) SERIOUSLY CONSIDER MINORITY PARTICIPATION
RANCH IN NEW JOING VENTURE WITH GOM AIMED AT SETTING UP
SERIES OF PILOT CATTLE BREEDING LOTS ON RECUPERATED
LANDS IN DIFFERENT SECTIONS OF COUNTRY.

3. HUGHES FIRMLY BELIEVES OPERATION HAS COME ALONG WELL
CONSIDERING MOROCCO EVNIRONMENT AND ITS RELATIVE STAGE OF
DEVELOPMENT. HE HAD FOLLOWING COMMENTS ON CRITICISMS OF RANCH
MANAGMENT IN APRIL 8 AID MEMO:

A) CALFING PERCENTAGE IS STILL RELATIVELY LOW BECAUSE OF
PROBLEMS BREEDING INDIGENOUS STOCK. IT IS NEVERTHELESS
BETTER THAN THAT ON OTHER RANCES IN SAME REGION AND WILL
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IMPROVE AS PROPORTION OF CROSS-BRED STOCK INCREASES

B. RANCH TEMPORILY PERMITTED SOME OVER-GRAZING LAST WINTER BECAUSE OF WEATHER CONDITIONS AND ECONOMIC CONSIDERATIONS. IF ANYTHING, IT IS NOW UNDER-STOCKED.

C. FINAL STAGES OF CAPITAL SPENDING PROGRAM SHOULD IRON OUT PROBLEMS SUCH AS CORWDING OF BULLS. IN GENERAL, HOWEVER, KING RANCH DOES NOT BELIEVE "PAMERING THE ANIMALS IS ECONOMIC."

4. ACCORDING HUGHES, PRINCIPAL PROBLEM OPERATION FACES IS NOT ON TECHNICAL BUT RATHER ON FINANCIAL SIDE. A HIGH DEBT/EQUITY RATIO AND HEAVY BURDEN REPAYMENT SHORT TERM LOANS FROM FIRST NTAIONAL CITY BANK MEANT THAT RANCH ADAROUCH BARELY BROKE EVEN ON CASH BASIS LAST YEAR. INCREASE IN CAPITAL WILL BE USED TO LIQUIDATE SHORT TERM DEBT. THIS MOVE SHOULD ALLOW RANCH TO MAKE COOLEY LOAN REPAYMENT WITHOUT DIFFICULTY AND STILL SHOW HEALTHY CASH SURPLUSES IN FUTURE. HUGHES ALSO EXPECTS SALES OF CATTLE TO INCREASE SHARPLY FROM 2 MILLION DIRHAM LEVEL REGISTERED IN 1973.

5. FNCB OFFICIALS IN CASABALNCA WHO HAS FOLLOWED PROGRESS RANCH ADAROUCH SHARE HUGHES OPTIMISM ABOUT ITS FUTURE. THEY FEEL VENTURE HAS BEEN RELATIVELY WELL MANAGED.

6. HUGHES OBVIOUSLY HAD INTEREST IN PUTTING BRIGHT FACE ON THINGS. PARTICULARLY IN VIEW UPCOMING INCREASE IN CAPITAL, WE WOULD, HOWEVER, ON BALANCE, RECOMMEND AGAINST ANY OPIC APPROACH TO THE PARENT COMPANY AT THIS TIME. IN ANY CASE WE WILL CONTINUE WATCH DEVELOPMENT OF OPERATION CLOSELY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LIVESTOCK, COOLEY LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974RABAT02531
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740143-0682
From: RABAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740673/aaaackrq.tel
Line Count: 91
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 AUG 2002 by izenbei0>; APPROVED <13 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RANCH ADAROUCH-COOLEY LOAN 608-E-073
TAGS: EFIN, MO, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005